



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 06-3, Processing Annual Pay Adjustments For Senior Executive Service (SES) Employees

Date: January 26, 2006

To: Holders of the Payroll/Personnel Manual

This bulletin is being issued to assist agencies in processing annual pay adjustments for Senior Executive Service (SES) employees. The information in this bulletin is not intended to be all-inclusive and is to be used in conjunction with the Office of Personnel Management (OPM) guidance (www.opm.gov) and regulations contained in Title 5 of the Code of Federal Regulations (CFR).

The following sections are contained in this bulletin:

1. SES Employees with Basic Pay at or below the EX-III Level
2. SES Employees with Basic Pay above the EX-III Level
3. Establishment of Effective Dates
4. Processing SES Pay Adjustment Actions
5. 12-Month Rule
6. Exceptions to the 12-Month Rule
7. Inquiries

1. SES Employees with Basic Pay at or below the EX-III Level

These are employees whose 2005 salaries were less than or equal to \$149,200.

An SES with basic pay less than or equal to EX-III, (\$149,200 in 2005) may receive a 2006 pay increase to maintain his/her relative position in the SES pay rate range not to exceed the 2006 EX-III level (\$152,000).

An SES with basic pay less than or equal to EX-III, (\$149,200 in 2005) may receive a 2006 pay increase to a rate above the EX-III level (\$152,000) provided that he/she:

- has an annual summary rating of Outstanding;
- occupies an SES position covered by a certified SES Performance Appraisal System;
- has the pay increase approved by the Agency Head or his/her designees; and

- meets the 12-month rule.

2. SES Employees with Basic Pay above the EX-III Level

These are employees whose 2005 salaries were greater than \$149,200.

An SES with basic pay above \$149,200 may not receive a pay increase in 2006 to maintain his/her relative position in the SES rate range unless he/she:

- has an annual summary rating of Outstanding;
- occupies an SES position covered by a certified SES Performance Appraisal System; and
- meets the 12-month rule.

NOTE: See 5 CFR 534.403(a)(2) for exception to these limitations for exceptionally meritorious accomplishment and 534.404(h)(2) for entitlement to continue said higher rate.

3. Establishment of Effective Dates

For SES pay adjustments to maintain the relative position in the SES rate range only, the pay adjustment is the first full pay period of the calendar year (January 8, 2006).

For SES pay adjustments to advance the relative position in the SES rate range:

- If the SES pay increase was officially approved prior to January 21, 2006, the pay adjustment is effective on January 8, 2006; or
- If the SES pay increase is approved after January 21, 2006, the pay adjustment is effective at the beginning of the next pay period.

4. Processing SES Pay Adjustment Actions

Information on processing SES pay adjustment actions can be found in OPM's Guide To Processing Personnel Actions, Chapter 17, Table 17-D, Rules 5, 6, and 7.

Rule 5

For additional SES pay adjustments approved within the 12-month period, the following nature of action code (NOAC) information applies:

- **NOAC/Authority:** 894/VWT Pay Adj

Rule 6

For SES pay adjustments to maintain the relative position in the SES rate range only, the following information applies:

- **NOAC/Authority:** 894/VWZ Pay Adj
Effective Date: (refer to above guidance on effective date)
Authentication Date: (Executive Order (EO) date or later)
Scheduled Salary: (refer to guidance at:)

www.opm.gov/oca/compmemo/2004/maintainingrelativeposition.asp

NOTE: Remark Code M97 should be used for any senior executive subject to the post-employed restrictions under 18 U.S.C. 207(c).

Rule 7

For SES pay adjustments to advance the relative position in the SES rate range only, the following information applies:

- **NOAC/Authority:** 894/VWH Pay Adj
- **Effective Date:** (refer to above guidance on effective date)
- **Authentication Date:** (EO date or later)
- **NOTE:** Remark Code M97 should be used for any senior executive subject to the post-employed restrictions under 18 U.S.C. 207(c).

5. 12-Month Rule

Under 5 U.S.C. 5383(c) and 5 CFR 534.404(c), an agency may adjust the rate of basic pay of an SES not more than once during any 12-month period, except as provided by regulation. The setting of an individual's rate of basic pay upon initial appointment to the SES is considered a pay adjustment for the purpose of applying the 12-month rule. OPM's regulations in 5 CFR 534.404(c)(3) and 534.404(c)(4) permit an agency to increase an SES's rate of basic pay more than once during a 12-month period where the head of an agency or designees determines that an additional increase is warranted.

Pay increases that do not count against the 12-month rule:

- Pay adjustments under Rule 5.
- OPM's regulations at 5 CFR 534.404(c)(3) (and referenced in CPM-2004-25 and dated December 2, 2004, at www.opm.gov/oca/compmemo/2004/2004-25.asp) permit the head of an agency or designee to provide additional pay increases that are not considered pay adjustments for the purposes of applying the 12-month rule. The following pay actions are not considered a pay adjustment:
 - The conversion of an SES to the SES pay system (5 CFR 534.404(c)(3)(i));
 - A zero adjustment in pay (5 CFR 534.404(c)(3)(ii) and (iii));
 - A determination to provide an additional pay increase when there is an increase in the Executive Schedule rates of pay (5 CFR 534.404(c)(3)(iv) in accordance with 534.404(f));
 - A determination to provide a pay increase to allow an SES to maintain his or her relative position in the SES rate range (5 CFR 534.404(c)(3)(v) in accordance with 534.404(b)(4)); or
 - An increase in pay equivalent to the minimum amount necessary to ensure that an SES' basic rate of pay does not fall below the minimum rate of the SES range (5 CFR 534.404(c)(3)(vi)).

NOTE: If an additional pay increase falls into one of the above categories and it is not considered to be a pay adjustment for the applying 12-month rule, the adjustment does not begin a new 12-month period.

6. Exceptions to the 12-Month Rule

These are pay adjustments which advance the employee's relative standing in the SES pay rate range.

OPM regulations 5 CFR 534.404(c)(4) provide the head of an agency or designee with the authority to make exceptions to the rule that prohibits an agency from adjusting an SES' basic rate of pay more than once during a 12-month period (12-Month Rule) where he or she determines that an additional increase is warranted for one of the following reasons:

- An exceptionally meritorious accomplishment (5 CFR 534.403(a)(3));
- An SES who is reassigned to a position with substantially greater scope and responsibility or for an SES with superior leadership or other competencies who is recruited from a position in another agency (5 CFR 534.404(c)(4)(iii)); or
- To align an SES with the agency's SES appraisal and pay adjustment cycle (e.g., an SES was appointed to an SES position within the last 12 months or an SES who was transferred to an SES position from an agency with a different SES appraisal and pay adjustment cycle within the past 12 months) (5 CFR 534.404(c)(4)(iv)).

Inquiries

Additional information on SES pay adjustments can be found in OPM's Compensation Policy Memorandum at www.opm.gov.



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